

CITY COUNCIL REPORT



Meeting Date: **February 22, 2011**
General Plan Element: ***Economic Vitality***
General Plan Goal: ***Sustain Scottsdale as a tourist destination***

ACTION

Amendment to Destination Marketing Service Agreement with the Scottsdale Convention & Visitors Bureau:

Council is requested to:

- 1) Adopt Resolution No. 8602 (Attachment No. 1) authorizing a first amendment to Destination Marketing Services Agreement No. 2010-098-COS with the Scottsdale Convention and Visitors Bureau
- 2) Authorize amendment No. 2010-098-COS-A1 amending the existing contract between the City and the Scottsdale Convention and Visitors Bureau to allow City economic development administrator the authority to elect to approve a new Contract Budget provided by Scottsdale Convention and Visitors Bureau that conforms to the estimated receipts as determined by the City Treasurer.

BACKGROUND

The Tourism Development Program activities are funded from the City's Transaction Privilege Tax on Transient Lodging, or "bed tax" revenue. The City's bed tax rate is a percentage of the hotel room rate and is paid by guests staying in the City's hotels and resorts. With the passage of Proposition 200, as of July 1, 2010 Scottsdale's bed tax rate increased from 3% to a rate of 5%.

Fifty (50) percent of the total bed tax revenue derived from the bed tax will be used for destination marketing to promote tourism, and the remaining fifty (50) percent will be allocated among tourism research, support for tourism-driven events, tourism-related capital projects, and other eligible uses as determined by ordinance and state law.

On July 7, 2010 City Council approved Resolution No. 8392 authorizing the City to enter into a two-year Marketing Service Agreement between the City and Scottsdale Convention and Visitors Bureau (SCVB) and provide monthly payments to the SCVB based on an estimate of 50% of annual bed tax revenues. It was the intent and understanding between the City and the SCVB that 50% of generated bed tax funds outlined in the Proposition 200 ballot language would be allocated to the SCVB in order to provide destination marketing services in FY10/11 and FY11/12.

ANALYSIS & ASSESSMENT

Destination Marketing Services Contract No. 2010-098-COS provides that each month the City Treasurer shall prepare an estimate of the amount of bed tax funds that the City Treasurer forecast will be collected during the entire current year. The SCVB monthly installment payments are comprised of one-half of one-twelfth of the latest estimated receipts and an increase or decrease that, when equally applied to all remaining payments will cause total payments to equal one-half of estimated receipts.

Additionally any change to the monthly installment payment shall be accompanied by corresponding changes to the contract budget amount indentifying the uses of additional funds as well as any modifications to existing performance measurements prior to any additional payment allocations.

In January 2011, the City Treasurer determined that the estimated FY10/11 bed tax revenue would increase to approximately \$12,066,564, triggering the need to increase the bed tax payments to the SCVB under the terms of the existing contract (Attachment No. 3). Resolution No. 8602 and Contract Amendment No. 2010-098-COS-A1 authorizes adjustments to the SCVB contract budget and authorizes such changes to be made administratively in the future in accordance with revised bed tax revenue forecasts.

Community involvement

The Destination Marketing program and budget were discussed at the February 16, March 16, and May 25, 2010 Tourism Development Commission meetings. As well as the June 22, and July 7, 2010 City Council meeting. These were public meetings with the opportunity for public comment.

RESOURCE IMPACTS

The City Treasurer has estimated that bed tax receipts for FY2010/11 are expected to be higher than forecasted. Forecasted total bed tax amount of \$10,591,667 has been changed; the revised estimate FY2010/11 bed tax total amount is now \$12,066,564.

Due to the estimated increase in total bed tax funds, bed tax revenue would support a distribution of \$6,033,282 (50% Destination Marketing), which would support a monthly distribution payment of \$564,227.58 to the SCVB for the remainder of the fiscal year. Such an increase monthly distribution would exceed the \$5.2 million contract budget approved by City Council on July 7, 2010.

Future budget implications

The SCVB has requested that the additional bed tax payment distributions be allocated toward the SCVB 2011/12 program of work. Carrying over additional bed tax allocations will allow an effective use of funds by enhance peak-season marketing, sales and promotional programs into top feeder markets in FY2011/12.

The uses of additional bed tax payment distributions that are allocated to the FY2011/12 will be outlined in the FY2011/12 SCVB Destination Marketing Guide recommended by the Tourism Development Commission and presented to City Council for approval.

Staffing, workload impact

Potential increases to staff time as a result of contract development and monitoring.

OPTIONS & STAFF RECOMMENDATION

- 1) Adopt Resolution No. 8602 authorizing a first amendment to Destination Marketing Services Agreement No. 2010-098-COS with the Scottsdale Convention and Visitors Bureau
- 2) Authorize amendment No. 2010-098-COS-A1 amending the existing contract between the City and the Scottsdale Convention and Visitors Bureau to allow City economic development administrator the authority to elect to approve a new Contract Budget provided by Scottsdale Convention and Visitors Bureau that conforms to the estimated receipts as determined by the City Treasurer.

RESPONSIBLE DEPARTMENT(S)

Economic Vitality

STAFF CONTACTS (S)

Harold Stewart, Economic Development Administrator-Economic Vitality
hstewart@scottsdaleaz.gov

Steve Geiogamah, Tourism Development Coordinator – Economic Vitality
sgeiogamah@scottsdaleaz.gov

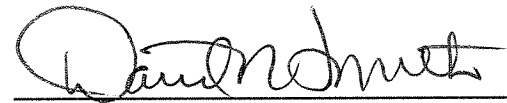
APPROVED BY



Harold Stewart, Economic Development Administrator
Economic Vitality Division
480.312.2311

2/7/11

Date



David Smith
City Treasurer
480.312.2364

2/7/11

Date



David E. Richert, City Manager
480.312.2890, DRichert@scottsdaleaz.gov

2/8/2011

Date

ATTACHMENTS

1. Resolution No. 8602
2. Destination Marketing Service Contract No. 2010-098-COS-A1-Schedule 1
3. January 2011 SCVB Monthly Payment Distribution Letter

RESOLUTION NO. 8602

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE,
MARICOPA COUNTY, ARIZONA, AUTHORIZING A FIRST
AMENDMENT TO DESTINATION MARKETING SERVICES
AGREEMENT NO. 2010-098-COS WITH SCOTTSDALE CONVENTION
AND VISITORS BUREAU

(SCVB)

WHEREAS:

A. City and Scottsdale Convention and Visitors Bureau ("SCVB") are parties to that certain Destination Marketing Services Agreement (No. 2010-098-COS) dated July 7, 2010 (the "Original Agreement"). Pursuant to the Original Agreement, City pays to SCVB fifty percent (50%) of the bed tax.

B. At the time of the Original Agreement, City and SCVB contemplated that total bed tax revenue for fiscal year 2010/2011 would be approximately Ten Million Five Hundred Ninety One Thousand Six Hundred Sixty Seven and No/100 Dollars (\$10,591,667.00), of which City would pay fifty percent (50%) to SCVB under the Original Agreement.

C. Due to improving economic conditions, bed tax revenues have exceeded projections and City and SCVB have now mutually decided that the purposes of the Original Agreement can be better achieved if the contract budget attached to the Original Agreement is revised to take into account the additional bed tax revenues and the City economic development administrator is given authority to adjust the contract budget to conform to estimated receipts as determined by the city treasurer as bed tax collections change.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Mayor is authorized to execute on behalf of the City of Scottsdale the First Amendment to Destination Marketing Services Agreement No. 2010-098-COS-A1.

PASSED AND ADOPTED by the Council of the City of Scottsdale this ____ day of _____, 2011.

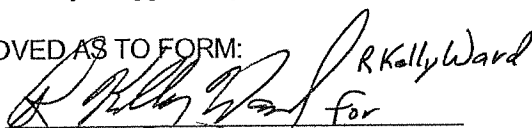
CITY OF SCOTTSDALE, an Arizona
municipal Corporation

W. J. "Jim" Lane, Mayor

ATTEST:

By: _____
Carolyn Jagger, City Clerk

APPROVED AS TO FORM:

By:  R. Kelly Ward
for
Bruce Washburn, City Attorney

FIRST AMENDMENT TO DESTINATION MARKETING SERVICES AGREEMENT

THIS FIRST AMENDMENT TO DESTINATION MARKETING SERVICES AGREEMENT (the "Amendment") is made this ____ day of _____, 2011 by the City of Scottsdale, an Arizona municipal corporation ("City") and Scottsdale Convention and Visitor's Bureau, an Arizona non-profit corporation ("SCVB").

RECITALS

A. City and SCVB are parties to that certain Destination Marketing Services Agreement (No. 2010-098-COS) dated July 7, 2010 (the "Original Agreement"). Pursuant to the Original Agreement, City pays to SCVB fifty percent (50%) of the bed tax.

B. At the time of the Original Agreement, City and SCVB contemplated that total bed tax revenue for fiscal year 2010/2011 would be approximately Ten Million Five Hundred Ninety One Thousand Six Hundred Sixty Seven and No/100 Dollars (\$10,591,667.00), of which City would pay fifty percent (50%) to SCVB under the Original Agreement.

C. Due to improving economic conditions, bed tax revenues have exceeded projections and City and SCVB have now mutually decided that the purposes of the Original Agreement can be better achieved if the budget attached to the Original Agreement is revised to take into account the additional bed tax revenues and if the City Treasurer is given authority to further adjust the budget if bed tax collections continue to change.

D. Undefined terms capitalized in this Amendment have the meanings assigned in the Original Agreement. Unless otherwise specified, exhibit references refer to the exhibits attached to the Original Agreement.

NOW THEREFORE, in consideration of the foregoing and the mutual promises contained herein, SCVB and City agree as follows:

1. Changes to Contract Budget. A contract budget was attached to the Original Agreement as Exhibit "F". Delete the budget exhibit and replace it with the revised budget attached to this Amendment as **Schedule "1"**.

2. Changes to Budget Adjustment. Insert a new paragraph 4.1.4 as follows:

If the City Treasurer determines that the Estimated Receipts will significantly exceed or fall short of the actual Bed Tax funds City will receive, then the City economic development administrator shall have authority to elect to approve a new Contract Budget provided by SCVB that conforms to the Estimated Receipts as determined by the City Treasurer.

3. Miscellaneous. The parties also agree as follows:

3.1 No Further Amendment. Except as expressly amended by specific provisions of this Amendment, the Original Agreement and the parties' respective rights and obligations related to the Original Agreement are not affected by this Amendment.

3.2 Integration. This Amendment constitutes the entire agreement between the parties with respect to amending the Original Agreement and supersedes any prior agreement, understanding, negotiation, draft agreements, discussion outlines, correspondence and memoranda or representation regarding amending the Original Agreement.

3.3 SCVB's Prior Assignees. SCVB warrants and represents that SCVB has not assigned to anyone any rights under the Original Agreement.

3.4 Third Party Beneficiaries. There are no third party beneficiaries to this Amendment or the Original Agreement.

EXECUTED as of the date first given above.

SCVB: SCOTTSDALE CONVENTION AND VISITOR'S BUREAU, an Arizona non-profit corporation

By: *Edith Spero* *Pres + CEO*

Its: *M.T. Spero*

CITY: CITY OF SCOTTSDALE, an Arizona municipal corporation

By: _____

W. J. "Jim" Lane, Mayor

ATTEST:

Carolyn Jagger, City Clerk

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY

By: *R. Kelly Ward* *R. Kelly Ward*
for

Bruce Washburn, City Attorney

Harold Stewart
Harold Stewart, Economic Development Administrator

David Smith
David Smith, City Treasurer

8237632v3

WORKING DRAFT
Scottsdale Convention Visitors Bureau
Budgets

**2010-2011
Revised City
of
Scottsdale
Contract**

REVENUE

Contracts

City of Scottsdale - Contract	6,033,282
City of Scottsdale - Fiesta Bowl	491,340
City of Scottsdale RNR Marathon	90,000
City of Scottsdale	

Total City of Scottsdale Funding	6,614,622
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Town of Paradise Valley	900,000
Paradise Valley -Fiesta Bowl	-
Fort McDowell Yavapai Nation	75,000
Salt River Pima	75,000
State of Arizona - Prop 302	400,000

Total Contracts	8,064,622
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Private Sector Carryover

Private Sector Project/Program

Revenue	1,400,000
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TOTAL ALL REVENUE	9,464,622
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EXPENSE

Personnel	3,540,000
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Operating/Administration Expense	600,000
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Membership Development	10,000
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Marketing	3,094,000
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Pass Through - Fiesta Bowl	491,340
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Pass Through - RNR Marathon	90,000
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Communications	250,000
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Convention Sales	400,000
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Tourism Sales	252,000
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Sponsorship Fulfillment	-
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Carryover to 2011-2012 budget	737,282
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TOTAL ALL EXPENSE	9,464,622
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Net Cash	-
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Economic Vitality

4021 N. 75th Street, Suite 102
Scottsdale, AZ 85251

PHONE: 480-312-7989
FAX: 480-312-2672
WEB: www.ScottsdaleAz.gov

January 18, 2011

Ms. Rachel Sacco
Scottsdale Convention & Visitors Bureau
4343 North Scottsdale Road, Suite 170
Scottsdale, AZ 85251

Re: January 2011 Bed Tax Distribution to Scottsdale CVB

Ms. Sacco,

Per the January 11, 2011 letter from David Smith, City Treasurer, estimated bed tax receipts for FY2010/11 are expected to be higher than forecasted. The forecasted total bed tax amount of \$10,591,667 has been changed; the revised estimated FY2010/11 bed total amount is now \$12,066,564.

Due to the estimated increase in total bed tax funds, it appears that the bed tax revenue would support a distribution of \$6,033,282 (50% Destination Marketing), which would support \$564,227.58 to the Scottsdale CVB (based on Contract No. 2010-098-COS) for the remainder of the fiscal year. Such an increased monthly distribution would exceed the \$5.2 million contract budget approved by City Council in July 2010 and will require City Council approval of a new contract budget amount.

As the timing of this is fairly far into the fiscal year you may want to consider extending the use of the funds beyond June 30, 2011. Since the current contract runs for two years we could work with you to design performance objectives and a contract budget that involves both fiscal years.

If you would please work with Steve Geiogamah in preparing a revised contract budget indentifying the uses of the additional funds along with any modifications to existing performance measurements, we will prepare to present the revised contract budget to City Council as soon as possible for approval. In the meantime disbursements will follow the original budget. Once the City Council approves the revised budget, future disbursements could be increased so that disbursements for the year would total the revised budget amount.

Sincerely,

A handwritten signature in dark ink, appearing to read "Harold Stewart", is written over a horizontal line.

Harold Stewart
Executive Director, Economic Vitality Division

C David Smith, City Treasurer
Lee Guillory, Finance Manager
File